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THE ORIGINS OF NOOTRANSITION: THE EXPERIENCE OF SOCIO-ECONOMIC MODERNIZATION IN CHINA IN THE LATE 20TH – EARLY 21ST CENTURIES

Abstract. The paper examines the socio-economic modernization of China in the late 20th and early 21st centuries, which is inextricably linked to the reforms initiated in 1978. The period under consideration spans three stages and concludes in the late 2000s, when the country largely succeeded in achieving the comprehensive industrialization goals set by the Communist Party, establishing the foundations of a “socialist market economy”, strengthening its position in the global market, and transitioning into the category of middle-income countries. The reforms are characterized by gradualism and consistency, openness to studying international experience, a rejection of theoretical dogmatism, and a practice-oriented research approach, which together fostered record rates of economic growth, albeit accompanied by several social issues (such as rising inequality, increasing environmental pressure, etc.). The principal economic and political mechanisms of the modernization project include the balanced application of state planning instruments, selective regulation, and the construction of an institutional environment where informal institutions play a special role (notably reliance on the moral and ethical principles of Confucianism). It is demonstrated that, despite its historical specificity, this experience remains highly relevant today for addressing the challenges of catch-up development. The ideological and theoretical foundation of the reforms intersects with contemporary concepts developed in Russia, in particular with the tenets of noonomy theory. This convergence relates primarily to the principles of socializing public relations, the diffusion of property ownership, and a shift away from the Western-centric model of individualism.

Keywords: socialism with Chinese characteristics, socialist market economy, state planning, selective regulation, industrialization, moderately prosperous society, Confucianism, noonomy.

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智慧型转型的源头:20世纪末至21世纪初中国社会经济现代化的经验

摘要: 本文的研究课题是20世纪末至21世纪初中国的社会经济现代化进程。这一进程开始于1978年启动的改革。所考察的时间段涵盖三个阶段,截止到21世纪初。此时,中国总体上已成功完成了中国共产党提出的全面工业化、建立社会主义市场经济基础、巩固国际市场地位,以及跻身中等收入国家行列等任务。值得注意的是,改革进程具有渐进性和连贯性,中国对借鉴国际经验持开放态度,摒弃了理论上的教条主义,采取了以实践为导向的研究方法,这促成了创纪录的经济增长速度,尽管随之而来的是若干社会问题(如不平等加剧、环境压力等)。作为现代化项目的主要经济政治机制,值得重点指出的是:均衡运用国家计划和选择性监管等工具,以及构建以非正式制度发挥特殊作用的制度环境(特别是依托儒家道德伦理原则)。研究表明,尽管这一经验具有其历史特殊性,但在当今时代仍可用于解决赶超式发展的课题。改革的意识形态和理论基础与俄罗斯当前发展的现代理念相契合,特别是与智慧型经济理论的原则相呼应。这首先体现在社会关系的社会化、所有制扩散以及摆脱以西方为中心的个人主义模式等原则上。

关键词: 具有中国特色的社会主义、社会主义市场经济、国家计划、选择性监管、工业化、中等富裕社会、儒家思想、智慧型经济。

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Introduction

Present-day world is experiencing an intensification of transformation processes at various levels. This includes changes in the balance of power, international specialization, and the movement of commodity chains in the global market, resulting in an escalation of conflicts, rising protectionism, and geopolitical tensions. Technological transition, which is largely related to this process, is the desire of leading countries to master and implement new technologies related to the fourth industrial revolution and the sixth technological paradigm faster than their competitors. However, less developed countries are also caught in the vortex of these transformational processes, further highlighting the need to formulate new development programs aimed at achieving a comprehensive modernization of the economic system.

This paper examines China's modernization experience in the late 20th and early 21st centuries. During this period, China made a powerful modernization leapfrog ahead, achieving record rates of economic growth (from 1980 to 1989, the average GDP growth rate was 9.69%, from 1990 to 1999 – 10.01%, from 2000 to 2009 – 10.36%¹), becoming a leading industrial power and deeply integrating into the global market. The background for China's modernization project was quite unique. Nevertheless, studying this experience remains highly relevant today for developing and moderately developed countries, from both theoretical and practical perspectives, as it touches

¹ According to the World Bank: <https://www.worldbank.org/>. At the same time, it should be noted that as the economy becomes more marketized, previously existing production becomes more visible in GDP calculations, which may in fact somewhat overstate real growth figures.

on many aspects of the transformation of an economic system. In particular, it illustrates the evolution of principles of state intervention in the economy, the development of intersectoral links, the varying balance between planning and market forces, and the specific role of ideological and institutional factors. The list goes on. Furthermore, when studying the development of modern China, which is undoubtedly relevant today, it is important to draw on the experience of China in the late 20th and early 21st centuries, as it was during this period that the fundamental principles of state economic management were laid down.

Ideological and Theoretical Foundations of Chinese Reforms

The onset of reforms in the late 1970s was driven by a multitude of both objective and subjective factors. Following World War II and the end of the civil war that culminated in the proclamation of the People's Republic of China in 1949, the country's financial situation was at an extremely low level; China was one of the poorest countries in the world. In setting the goal of transitioning to a qualitatively new stage of development, the Chinese leadership under Mao Zedong drew significant inspiration from the Soviet experience of self-reliant industrialization characterized by a significant degree of isolation from the outside world. New sectors of heavy industry began to emerge. Despite a number of achievements during the industrialization drive, such as the successful testing of a hydrogen bomb in 1967, the launch of Sputnik in 1970, and the introduction of the first social benefits from public consumption funds (albeit very limited in scope and affecting a narrow segment of the population), the modernization project failed to be implemented in a balanced manner. Subsequently characterized within China as "leftist excesses," the policies of the Great Leap Forward and the Cultural Revolution led to mass famine, high rates of extreme poverty, and the undermining of the country's economic strength and scientific capability. The villages, with the rural population accounting for approximately 85% of the country's population, found themselves in the direst situation [Hu Angang, 2005, p. 52]. The need for a change in economic and political course was clearly urgent.

The population's low initial standard of living, on the one hand, provided abundant scope for vigorous reform implementation (figuratively speaking, there was nothing to lose). On the other hand, the country's leadership was wary of the rapid introduction of market relations due to the risk of political turbulence. This predetermined the gradual, drawn-out nature of the reforms. It's also essential to note Deng Xiaoping's affiliation with the revolutionary generation, which, as world history shows, is a factor restraining radical political change. Even during the difficult 1930s, isolated from major cities (with minimal potential for influencing the extremely small working class), the Communist Party of China found its social support primarily not on a class basis, but in the country's broad "national liberation" consolidation and nationwide mobilization [Vinogradov, 2010]. The ideological and economic measures that were initiated did not conflict with the idea of strong state paternalism. Moreover, the imperialist nature of China's modernization has been observed, with a number of institutional forms borrowed from previous centuries of its history [Jiang, 2023]. The party's Four Principles took on a politically charged resonance: adherence to the socialist path, the leading role of the CPC, Marxism-Leninism (with its declaration of the dictatorship of the proletariat), and the ideas of Mao Zedong (alongside with criticism of his individual approaches and political practices) [Vinogradov, 2010].

Marxism emphasized historical materialism, the relationship between productive forces and production relations, which determines the degree of socialization of production, and the prin-

ciple of “practice is the sole criterion for testing truth.” This became the foundation of a new approach to economic pragmatism, developed by Deng Xiaoping, a rejection of any rigid theoretical frameworks in favor of a practice-oriented approach to economic thought [Vinogradov, 2008]. While maintaining the principle of “self-reliance” and respectfully addressing various milestones in China’s history, the study of foreign experience rapidly developed: from the practices of the USSR which traditionally served as a benchmark for China to the experience of Eastern Europe and the capitalist countries of East Asia. The need for a distinct development path was justified by the impossibility of replicating the Western-style modernization project, including the limitations of both neoliberalism and the late Soviet model [Borokh, Lomanov, 2024].

The major turning point in the ideological and theoretical basis of the reforms was a different interpretation of the socialist development path. The essential criterion of socialism became the development of productive forces and the rise in the population’s standard of living. The state’s primary goal during the reform period becomes the transition to a moderately prosperous society (*xiaokang*). As a result, the state-planned economy and the market economy are understood not as essential characteristics of the economic system, but rather as instruments of economic policy that can operate in different systems. As Deng Xiaoping wrote, “The predominance of a plan or a market are not essential criteria for distinguishing between capitalism and socialism. A planned economy is not identical to socialism; capitalism also has planning; a market economy is not identical to capitalism; socialism also has a market. Plan and market are all economic measures (Quoted from [Kafyrin, 2012, p. 69]).” This approach laid the foundation for the subsequent assessment of the Chinese model as socialist, and, accordingly, modernization is also characterized as socialist [Losurdo, 2017; Jian, 2025]. The criterion of socialism in this case is the political power of the Communist Party, which directs the functioning of various forms of economic relations for the benefit of the entire population. In 1979, Deng Xiaoping articulated the concept of Chinese-Style Modernization, and in 1982, “building socialism with Chinese characteristics.” It was emphasized that this building project would require a long journey (up to 100 years), as it would take considerable time to achieve a sufficiently high level of development of productive forces [Feoktistov, Tsyplakov, 2008; Borokh, Lomanov, 2024].

One of the pillars of “Chinese characteristics” in this model was the gradual revival of ancient Chinese cultural traditions, which subsequently became an important institutional component of the ongoing reforms¹. Beyond the philosophical and religious roots of Taoism and Buddhism, Confucianism which was labeled “feudal rubbish” during the Cultural Revolution occupied a special position. In contrast to Western individualism, China embodied a society based on collectivist thinking, emphasizing a sense of duty, mutual responsibility, and harmonious and trusting relationships between people. As in other East Asian countries that had achieved a modernization push, the population demonstrated high levels of workaholicism, diligence, and thrift. Within the framework of Confucian philosophy, the cult of family ties and respect for elders was represented in a strong state paternalism that prioritized the interests of the state. At the same time, officials are obligated to adhere to high moral standards and care for the population as if it were their own children. Confucianism also historically sets the framework for meritocracy, respect for education, and high qualifications of civil servants, with a rigorous preliminary selection process for leadership positions [Orekhov, Reshetneva, 2004; Burov, 2011]. It should be noted that appeals to

¹ It’s worth noting that national consolidation, as a component of the modernization project, also manifested itself in the significant active participation of the Chinese diaspora abroad in state-led projects.

virtues and moral norms are inherently linked to networking within society. Despite the shortcomings of a lack of formal rules, these informal relationships made it possible to plug “management gaps,” especially at the local level, which arose as a result of gradual but significant political changes in the context of a vast country. Thus, the revival of cultural traditions contributed to the development of formal and informal institutions, combined with the proclaimed principles of Marxism, national revival, and the practice of economic reform. In China, perhaps more than in any other major country, these factors, lying outside the immediate economic framework, had a significant impact on the implementation of the modernization project.

Currently, when implementing modernization projects in other lagging countries, the most important steps are also the establishment of a solid ideological and theoretical foundation for reforms, along with the construction of an institutional “backbone.” Otherwise, even a well-designed program of socioeconomic transformations risks failure. Political economy has great application potential in this context. It offers a comprehensive approach that allows for the uncovering of the complex nature of relationships at various levels of the economic system and, particularly important during periods of global transformation, traces the historical logic in the development of socioeconomic processes (this latter aspect primarily relates to Marxist historical materialism, the dialectic of productive forces, and the relations of production).

It is worth highlighting the approach of contemporary researcher S.D. Bodrunov, author of the theory of noonomy, which, in developing this Marxist approach, expresses the leading transformative role of the material factor in scientific and technological progress [Bodrunov, 2024]. In this case, there is a close intersection with the ideological and theoretical basis of the Chinese reforms, where the starting point was also the identification of the Marxist connection between productive forces and production relations, which largely determines the specific set of economic and political measures in specific historical environment. Furthermore, under the theory of noonomy, the logic of socialization of social relations and the diffusion of ownership are demonstrated as an objective consequence of the development of the production system. Although China’s reforms were implemented against a backdrop of an initially rather backward technological capabilities, their development revealed to the world a vision of the future as an integrated model that balances planned and market principles, various forms of ownership, and which holds the potential for a fast-paced nootransition. Finally, it’s worth mentioning the noocriteria of reasonableness and harmonious development, where people are not “selfish” individuals fixated on maximizing personal material consumption, but rather part of a community that shapes a broader set of goals. These criteria are close to the aforementioned Confucian principles, and, as the Chinese experience examined here demonstrates, they are not abstract “superstructural” elements detached from practice, but rather can be strong institutional factors that directly influence the efficiency of economic reproduction.

Key Milestones of the Modernization Project

The first stage of reforms is generally attributed to the years 1978–1984 [Gelbras, 2009; Kafyrin, 2012]. During this period, the state set the goal of finally eliminating the echoes of cultural revolution and, as is natural in the context of the sectoral dominance of agriculture, to begin reforms with the agricultural sector. The communes were disbanded, and while state ownership preserved, peasants were given the opportunity to manage their land plots, and a commodity market for agricultural products began to emerge. Family farming and village-based enterprises

with collective ownership relations, including contributions from the population to a “common fund” and village administrative committees, became the institutional basis for production. The state encouraged rural development by raising procurement prices, supporting rural specialization and mechanization, and developing industries related to agriculture. As a result, township and village enterprises quickly became a key component of the national economy (by the early 1990s, they accounted for 40% of China’s total industrial output and exports, not to mention their leading role as the country’s breadwinner in food production) [Kruglova, 2020]. In the city, only the first experiments in expanding the autonomy and self-governance of state-owned enterprises, as well as the creation of special economic zones, were being implemented.

A key component of the initial stage of reform was the decentralization of public sector and the expansion of regional authorities’ powers while adhering to national development frameworks as part of five-year plans (after a pause in the first years of reform, these were restored in 1981). Subsidies from the center were allocated to key infrastructure projects and to cover regional budget deficits (subject to verification of their justification). However, clear regulations for tax collection and budget execution had not yet been established. A major beneficial effect of budget policy decentralization has been enhanced governance efficiency and incentives for local development, taking into account regional specifics. However, new problems have also arisen, related to declining federal budget revenues and interregional competition to extract additional resources from the center, given the lack of a legislative framework and strict principles for resource allocation [Kadochnikov, 2016]. It’s worth noting that even under the Maoist model of hyper-centralism, due to the country’s large size and the specific nature of national governance, significant *de facto* power remained in the hands of local authorities for a long time. Furthermore, the process of nationalization of production was also drawn out. Thus, regional governance institutions retained their traditions and did not have to be created from scratch. As mentioned above, the reform program was implemented gradually, with many measures being spread out over time and scaled up after being tested in specific areas of the economic system. The State Commission for Restructuring the Economy was established in 1982, only eventually acquiring powers equivalent to a ministry [Chubarov, 2024].

The second stage (1984–1991) was marked by accelerated reform implementation, primarily in the city. At the same time, reforms remained gradual. The slogan of this period was “the plan is primary, the market is secondary” [Gelbras, 2009]. The State Planning Commission which was merged with the State Economics Commission increasingly focused on indicative planning with macroeconomic regulation and, accordingly, less on directive planning. Thus, in 1984, 80% of industrial output was created under directive planning, but by 1992 this figure had fallen to 16% [Reforms, 2000, pp. 13–14]. Compared to the previous period, the state shifted its focus to industrial development and urbanization. In addition to changes in the allocation of financial resources, this was reflected in the easing of restrictions on rural-to-urban migration.

Price liberalization gradually occurred, along with a reduction in public consumption funds, leading to greater autonomy for enterprises and their transfer to private ownership. The reforms began with the ability to sell excess production on the market, increasingly moving toward self-financing principles (though such measures were introduced later in large-scale industry than in small and medium-sized industries), and to independently manage bonus funds. At the same time, various spaces were formed in terms of pricing rules. In some segments, prices continued to be set in a prescriptive manner; in others, while a “baseline” price was fixed, it was allowed to fluctuate.

tuates within a certain range (approximately 20%) due to fluctuations in supply and demand; and in others, free market pricing was established. Greater state supervision over prices was maintained in socially significant areas, including in resources industries, to curb cost increases and supply-side inflation.

Thus, the market began to penetrate China's economic life in a very measured manner, with changes being mutually coordinated at various levels of the economic system. The same caution was also exercised during the initial denationalization of property with the aim of increasing the efficiency of enterprise management. Fearing the ineffectiveness of private ownership of production in a developing market, the state "prepared" the enterprise in advance. Specifically, shares were placed to attract additional financial resources while the state maintained a controlling stake for a long time, technical modernization of production was carried out, institutional instruments for integrating the enterprise into the market were developed, etc. Thus, the process of denationalization of the economy proceeded smoothly through the gradual transfer of actual powers to the managers of enterprises while simultaneously modernizing them and cultivating new niches of operation [Fedorovsky, 2003; Pivovarova, 2011].

Projects to create special economic zones in coastal regions, attracting foreign capital, were implemented more rapidly. This paved the way for the country's significant export potential through maritime trade, and also implemented a policy of identifying regions that would be the driving forces of the national economy, as it was impossible to achieve high growth rates everywhere. Overall, ties with foreign partners were strengthened, while international business practices were studied.

During this period of reform, the state heavily increased budget expenditures, stimulating industrial development and rapidly increasing the money supply despite the initially very low level of monetization of the economy. Since price liberalization had already begun, the increase in the money supply did not lead to commodity shortages, as had happened in the USSR. The opposite problem characteristic of market economies arose: rising inflation. This sometimes led to deviations from sustainable growth¹ and challenges to the political system, but overall, the state managed to prevent major macroeconomic imbalances by temporarily implementing measures to slow down the economy. Moreover, public confidence in monetary policy and the ability to save for durable goods (thereby curbing overheating from current demand) had an additional beneficial effect. One could argue that both demand and supply were stimulated simultaneously, but the primary focus was undoubtedly on the latter. Specific mechanisms included the devaluation of the yuan to support exports, and the stimulation of investment through both budgetary and monetary instruments (primarily cheap targeted loans), which led to a consistently high and growing rate of accumulation (from 1986 to 2000, the share of investment in GDP was over 30%, in 2003 – 48%, in 2007 – 55% [Gelbras, 2009, p. 77]).

The 1990s were marked by a significant acceleration of economic liberalization with continued intensification of industrial development. The turning point was 1992, with Jiang Zemin's proclamation of establishing a "socialist market economy." Export orientation enhanced, foreign investment and internal migration intensified, and the labor market became more flexible. The official theoretical framework combined the experiences of capitalism and socialism (primarily the Soviet type) with the promotion of the "three utilities" as the primary criterion for the success

¹ Thus, in 1989, GDP growth was a modest 4.2% by Chinese standards, while in 1990 it was 3.94%. According to the World Bank: <https://www.worldbank.org/>.

of state policy: developing productive forces, strengthening the state's power, and improving the population's standard of living. The priority of developing flexible and practice-oriented economic thought was emphasized. As can be seen, the class aspects of Marxist doctrine were not emphasized within the official discourse. At the same time, new theses began to be voiced about the importance of building a harmonious society, supporting employment, the countryside, and developing social safety net [Pivovarova, 2011].

One of the key areas of liberalization was the transformation of ownership, planning, and taxation institutions. The activities of the former State Planning Commission departments, previously merged with the State Economics Commission, were limited to developing medium- and long-term plans for socio-economic development and coordinating the construction of major infrastructure projects. Meanwhile, the State Economics Commission departments were responsible for meeting and adjusting annual targets and overseeing the implementation of approved projects. The former "reform headquarters" – the State Commission for Restructuring the Economy – continued to decline in importance. Along with significant staff reductions, it was transformed into an advisory body performing research functions [Chubarov, 2024]. Overall, directive planning began to become irrelevant, while indicative planning and macroregulation mechanisms expanded. In particular, in 1994, directive planning practices for foreign trade were drastically curtailed.

As mentioned above, the process of transferring enterprises to private ownership occurred gradually, with preliminary "preparatory measures" implemented, following the widespread practice of corporatization. From 1978 to 1998, the private sector's share of GDP increased from 0.9% to 25%. Throughout the reform period (including the 2000s), the state retained almost complete control over strategically important sectors: transportation, energy, chemicals, and metallurgy. Land always remained in state hands. More than half of facilities in construction and mechanical engineering were state-owned. Various forms of state control have been largely preserved in the banking sector. It should be noted that it was only in 1999 that the Constitution was amended to stipulate that the private sector is also an "essential part of the socialist market economy" [Reforms, 2000, p. 13]. In 1994, the privatization of township and village enterprises intensified. The securities market was fully authorized, and a private sector in the service sector (hotels, restaurants, etc.) was extensively developing. As the denationalization of production developed, the problem of tax collection became more pressing, which became a prerequisite for the unification of tax regimes and the implementation of tax reform in 1994. It is also worth noting that, under this reform, in order to smooth out regional inequality as the market developed, the ratio of federal and regional budgets increased by approximately one and a half times in favor of the former [Kadochnikov, 2016, p. 116].

The policy of gradual, yet radical, price liberalization continued. While in 1992, approximately half of prices were controlled to some degree by the state (while maintaining the rationing system), by the end of the century, the prices of more than 90% of goods were determined by the market (while maintaining indirect regulation through differentiated tax rates, subsidies, duties, etc.) [Reforms, p. 13]. Since 1995, the banking sector has enjoyed significantly greater freedom, although the state continued to restrict its functions by stimulating the influx of cheap money into material production and preventing speculative operations. Provisions for no-profit lending for lagging regions and industries were partially retained. On the one hand, this addressed the key objective of rapidly expanding large-scale investment projects in the real sector. On the other

hand, it deprived banks of flexibility and led to debt problems in the late 1990s (although China suffered relatively little from the Asian economic crisis during this period) [Fedorovsky, 2003].

In the early 2000s, as commercialization and liberalization intensified, Chinese society faced a kind of ideological impasse, necessitating the formulation of a new paradigm for the country's development. The response was Jiang Zemin's proclamation of the Communist Party's role as both the vanguard of the working class and the consolidating force of Chinese society. The latter aspect was represented, in particular, by the emergence of opportunities for businessmen to join the Communist Party. In 2002, as a step toward strengthening the Communist Party's consolidating institutional role, new measures were formalized to implement mechanisms for political continuity, and term limits were established [Vinogradov, 2010]. The emphasis on building a moderately prosperous society was once again highlighted as a key development objective. At the same time, a significantly greater focus was placed on the development of the social services, science, culture, and the need to transition to a more high-tech model of reproduction [Feoktistov, Tsyplakov, 2008]. In 2004, Hu Jintao reinforced this approach by proposing a concept of harmonious planning focused on comprehensive human development, transcending purely economic goals.

Within this new paradigm, programs were implemented, albeit in a rather limited form, to support employment, develop social services (especially healthcare), the pension system, improve rural infrastructure which was increasingly lagging behind the cities, and provide financial assistance to the poorest segments of the population. In 2006, school education became free in rural areas (in cities, it had been generally available since the early 1990s). Meanwhile, liberalization and privatization continued. By 2008, two-thirds of GDP was already being generated outside state ownership [Feoktistov, Tsyplakov, 2008]. In 2003, the State Economics Commission and the State Commission for Restructuring the Economy were abolished, and they were replaced by the still-existing single body, the National Development and Reform Commission. It began coordinating key investment projects and selecting priority development sectors. As part of the economic liberalization process, the state placed particular emphasis on developing market institutions that ensure transparency and predictability of the "rules of the game" for businesses. Regarding fiscal policy, it is worth noting the reduction of taxes, which hinder the expansion of demand for finished goods. The authorities sought to maintain a generally balanced consolidated budget, incurring significant deficits only during the implementation of certain key investment projects. The dual budgeting approach (for current and capital expenditures) served as the basis. Despite a somewhat increased share of regional budgets, many poorer regions remained highly dependent on federal transfers [Kadochnikov, 2016].

In the early 2000s, China's industrialization led to lower employment in agriculture than in industry and services combined [Hu Angang, 2005, p. 40]. The country increasingly cemented its status as a "world's factory floor" with a high rate of accumulation. Cheap labor, accessible loans, heavy government investment in infrastructure (especially transportation), and the support of a cheap yuan made Chinese goods highly competitive on the global stage. China was becoming the leader in accumulated foreign exchange reserves, which, firstly, served as a tool for devaluing the national currency and, secondly, as a resource for subsequent foreign investment, primarily in poor countries. However, the general course toward economic openness, despite its rapid pace (for example, in 1978, China's foreign trade turnover constituted only 13% of GDP, in 2003 it was already 60%, and in 2007 – 67%) [Hu Angang, 2005, p. 40; Gelbras, 2009, p. 77] was not total and

“dogmatic,” but rather implied the possibility of countermeasures. For example, in 2001, upon joining the WTO, China secured a five-year deferment of foreign investment in a number of sectors, such as finance, telecommunications, wholesale trade, freight transportation, and tourism [Fedorovsky, 2003].

At the same time, China began gradually implementing a policy to increase the knowledge-intensiveness of its own products, primarily in the information technology (IT) sector, electronics (especially in the mobile phone market), and transportation. Back in the 1990s, China, while creating favorable conditions for foreign multinationals (free market access, low taxes), in exchange demanded partial transfer of technology and production expertise, and the participation of local manufacturers as subcontractors. As in other East Asian countries that had undertaken major modernization projects, technology was concentrated in large companies which in China’s case were even more closely tied to the state. The transition from a policy of borrowing technologies to indigenous developments took place through a variety of state planning mechanisms, which included special budgetary and monetary support for key industries and the creation of an innovative environment through the fusion of education, research, and production¹. There was a gradual increase in spending on science, primarily applied science (however, subsequently, independent schools of fundamental science, particularly in the natural sciences, also began to emerge), and on the development of human potential in general [Porunov, 2006; Kolganov, 2023]. At the same time, the state’s significant role in this area did not contradict the general course toward economic liberalization mentioned above.

As a result, by the late 2000s, China still remained a country with low labor productivity relative to advanced countries and an extensive economic growth model. It was heavily dependent on foreign technology, while lacking domestic development and overall research potential, and suffered from high inequality in technological resources (including as a result of the high degree of economic monopolization). However, during this period, the foundations were laid for the subsequent acceleration of advancements in science and technology that is still observed today.

Summary

The period under review encompassed the initial stages of China’s modernization, which, according to the plan adopted in 1996, were to become the first stage of the country’s long-term socioeconomic development program (until 2050). It was initially scheduled to run until 2010, by which time it was expected to achieve deep industrialization, establish the foundation of a “socialist market economy,” integrate closely into the global market, and transition to the category of a medium-development country. Modernization thus addressed the threefold task of transformation: from an agrarian economy to an industrial one, from a planned economy to a market economy, and from external isolation to openness. China succeeded in achieving these ambitious goals, demonstrating record growth rates over a long period and setting an example of a path to a market economy based on principles distinct from neoliberalism and the Washington Consensus. Russia, taking into account its national characteristics, could have followed this path and avoid significant transformational losses [Ostrovsky, 2007]. This paper examines this period because it encompasses the “full cycle” of a qualitative modernization leap. Although the initial conditions

¹ A striking example is the coastal free economic zone in Shenzhen, which was established back in 1980. Subsequently, a university, an industrial-and-scientific park, and a stock exchange emerged within it, transforming this former fishing village into a major technological and financial center with global status.

and goals have their own specifics, it is important to consider this experience in relation to the search for responses to contemporary challenges.

The following universal factors of this type of modernization, identified by A. Gershenkron, can be considered as the initial prerequisites for the rapid dynamics of development in relation to China: the low-base effect, the possibility of a rapid transfer of resources to industry, the advantages of inclusion in world trade based on an export-oriented model, and the rapid spread of new technology due to the possibility of borrowing technological solutions from more developed countries [Gershenkron, 1962]. In the context of an open economy, the latter aspect is particularly closely linked to the flying geese model, which also qualitatively describes the mechanisms of China's rise [Ozawa, 1993]. The demographic factor also became very important: at the beginning of the reforms, a large proportion of the population consisted of a young workforce, which was further complicated by the one-child policy. According to calculations by Chinese researchers, between 1978 and 1995, half of the growth in per capita GDP was due to the growth of capital-labor ratio, a third to institutional variables, and 20% to knowledge development. From 1995 to 2001, the growth rate of capital-labor ratio increased by another 4%, indicating the acceleration of industrialization and the substitution of capital for labor in terms of factor returns [Hu Angang, 2005, p. 38]. In the 21st century, as mentioned, the role of new technologies has enhanced; however, China remains a country modernizing primarily through extensive factors.

Despite its undeniable successes, the Chinese model also led to systemic contradictions. These include, first and foremost, high inequality (primarily between regions, including between urban and rural areas), underdeveloped social services, low consumption, insufficient domestic demand coupled with heavy dependence on foreign markets and technology, employment problems, arduous working conditions and environmental concerns, capital overaccumulation, and corruption and bureaucracy due to the large role of the state. Subsequently, in the 2010s, Chinese leadership began to focus increasing efforts on addressing these issues, although many remain pressing.

As Chinese academic Cheng Enfu demonstrates, the solution to the contemporary contradictions facing not only China but the world as a whole lies in further harmonization of planned and market principles and the development of a multi-structured economy [Cheng, 2023]. The challenges of curbing rising inequality are becoming particularly pressing, largely due to the consolidation of digital giants, the risks of uncontrolled development of artificial intelligence, and the channeling of resources toward the needs of the "real sector" rather than speculative markets. Under capitalism today, the prerequisites for the slowdown of scientific and technological progress are emerging due to intellectual private property. Another particularly dangerous threat is the potential for total manipulation of consumer behavior through digitalization. These aspects are also quite prevalent in Russian academic research, including within the framework of the aforementioned components of the theory of noonomy, which has particularly close intersections with Chinese economic thought and also highlights the forks in the main directions of both national and civilizational development, the prerequisites for the nootransition [Bodrunov, 2023; Bodrunov, 2026]. Thus, the relevance and continuity of the theoretical foundations of Chinese reforms of the late 20th and early 21st centuries with the present day are preserved.

Taking into account all the differences in historical conditions, in conclusion, it is worth highlighting what appear to be the most important components of the Chinese modernization pro-

ject, which, in adjusted form, could be successfully adopted today. The Chinese leadership has established major theoretical, or more accurately, metatheoretical, philosophical, and ideological paradigms (be it Marxism or Confucianism). At the same time, this has not resulted in a narrow theoretical framework for the modernization project or dogmatism that would hinder the development of economic and political measures appropriate to the given situation. On the contrary, through a comprehensive study of international experience, both theoretical and practical, economists have been able to develop flexible, practice-oriented approaches. These approaches have also become part of long-term strategic development programs.

It should be emphasized that, despite all the problems and contradictions of the Chinese political system, the success of the reforms was secured by the institutions of meritocracy and official accountability, coupled with the population's willingness to engage in new state projects and their workaholicism. Despite the widespread use of informal institutions, which at first glance might seem to undermine the stability of the reproductive system, China has developed an institutional environment that, despite all the problems and negative "side effects," serves as a powerful pillar of national development.

Regarding more practical economic and political aspects, it should be noted that the foundation of the Chinese development model is state planning, direct state participation in the establishment of value chains, and selective regulation. Throughout the period under study, a consistent and balanced industrial policy was evident (first, agricultural reforms, then the accelerated development of assembly production at the core of industry, and finally, the development of indigenous technologies based on previous borrowings, and the integration of manufacturing, science, and education). This ensured the sustainability of economic dynamics during large-scale structural transformations. The state supported the industries driving development with direct injections and cheap loans. Even with accelerated economic liberalization and the emergence of multiple forms of ownership, the state retained primary control over key industries, vigorously implemented infrastructure and construction megaprojects, and curbed the "unproductive" flow of resources (financial speculation, rent income, etc.). In foreign trade relations, it's important to highlight state policy (from managing the exchange rate to the conditions for admitting foreign multinational corporations to free economic zones). When certain structural and macroeconomic imbalances arose, this policy, firstly, provided local producers with broad access to foreign markets and, secondly, created a mechanism for adopting foreign technologies to facilitate the subsequent development of domestic scientific and industrial capabilities. In today's increasingly competitive global marketplace and rising protectionism, such fine-tuning of foreign economic policy is of critical importance.

Thus, despite its unique characteristics, China's modernization of the late 20th and early 21st centuries provides extensive data for study and practical application today. The implementation of major scientific and technological development projects and the strengthening integration of production, science, and education are particularly relevant for countries currently focusing on catch-up and advanced development. After some time, following disillusionment with the neoliberal dogmas imposed on the world, projects to develop strategic planning, encompassing all levels of the economic system with the state having a directing role, are once again being championed. Nowadays, this goes beyond the narrow goals of maximizing material production and prioritizes harmonious development in various areas of social reproduction, thus creating the foundation for the nootransition.

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